

RECEIVED
DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

AUG 8 9 25 AM 1967

AMENDMENT TO REGISTRATION STATEMENT

Pursuant to the Foreign Agents
Registration Act of 1938, as amended.

REGISTRATION SECTION

1. Name of Registrant Corporacion de Fomento de la Produccion de Chile	2. Registration No. 401
--	--------------------------------

3. This amendment is filed to accomplish the following indicated purpose or purposes:

- ☐ To correct a deficiency in
- ☐ To give a 10-day notice of a change in information as required by Section 2(b) of the Act.
- ☐ Initial Statement
- ☒ Supplemental Statement for April 1, 1967
- ☐ Other purpose (specify) _____
- ☐ To give notice of change in an exhibit previously filed.

4. If this amendment requires the filing of a document or documents, please list -

Ley No. 6640

Decree Law 211

Booklet "Corporacion de Fomento - Agricultural & Industrial Progress Report 1965-66"

Background Information on Corporacion de Fomento; Memorandum describing activities CORFO

~~Trial Balance of Corporacion de Fomento de la Produccion~~

5. Each item checked above must be explained below in full detail together with, where appropriate, specific reference to and identity of the item in the registration statement to which it pertains. If more space is needed, full size insert sheets may be used.

To amend Items 10, 11, 14(a) and 15(a) of April 1, 1967 Supplemental Statement as follows:

Item 10 - Foreign Principal - Corporacion de Fomento de la Produccion de Chile

Item 11 - Head Office, as in Item 10 above. Please refer to attached memorandum describing activities of FOMENTO.

Item 14(a) Yes. Funds are received from time to time to cover servicing of notes issued under credits granted; payments for purchases not financed under such credits; New York Office expenses, including salaries, rent, telephone, stationery, etc.

Item 15(a) Yes. All expenditures made in the U.S. are solely of a commercial and financial nature in connection with purchases of machinery, equipment and materials; payment for engineering services, salaries of office personnel, etc., as per attached copy of Trial Balance

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this amendment and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief.

(Both copies of this amendment shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

ANGEL MESCHI

Subscribed and sworn to before me at New York, N.Y.

this 14th day of August, 1967

My commission expires March 30, 1969

Joseph E. Pascale
Notary Public, State of New York
No. 30-2992600
Qualified in Nassau County
Cert. filed with N. Y. Co.
Commission Expires March 30, 1969

RECEIVED
DEPARTMENT OF JUSTICE

EXHIBIT A

AUG 17 9 25 AM 1967

TO REGISTRATION STATEMENT

Under the Foreign Agents Registration Act of 1938, as amended

REGISTRATION SECTION

Furnish this exhibit for EACH foreign principal listed in an initial statement
and for EACH additional foreign principal acquired subsequently.

1. Name and address of registrant

CORPORACION DE FOMENTO DE LA PRODUCCION DE CHILE (New York Office)
80 Pine Street, New York, N.Y.

2. Registration No.

401

3. Name of foreign principal

Corporacion de Fomento de la Produccion de Chile

4. Principal address of foreign principal

Ramon Nieto 920, Santiago, Chile
(Head Office)

5. Indicate whether your foreign principal is one of the following type:

☐ Foreign government

☐ Foreign political party

☒ Foreign or ☐ domestic organization: If either, check one of the following:

☐ Partnership

☐ Committee

☒ Corporation (see Items 8
and 9 below)

☐ Voluntary group

☐ Association

☐ Other (specify) _____

☐ Individual - State his nationality _____

6. If the foreign principal is a foreign government, state:

a) Branch or agency represented by the registrant.

b) Name and title of official with whom registrant deals.

7. If the foreign principal is a foreign political party, state:

a) Principal address

Not applicable

b) Name and title of official with whom the registrant deals.

c) Principal aim

8. If the foreign principal is not a foreign government or a foreign political party,

a) State the nature of the business or activity of this foreign principal

A non-stock Corporation created to stimulate and develop production in Chile.
For activities, please refer to references in Item 9.

b) Is this foreign principal

- Owned by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☐ Please refer to 9 below
- Directed by a foreign government, foreign political party, or other foreign principal... Yes ☒ No ☐
- Controlled by a foreign government, foreign political party, or other foreign principal.. Yes ☒ No ☐
- Financed by a foreign government, foreign political party, or other foreign principal... Yes ☒ No ☐
- Subsidized in whole by a foreign government, foreign political party, or other foreign principal..... Yes ☐ No ☐
- Subsidized in part by a foreign government, foreign political party, or other foreign principal..... Yes ☐ No ☐

9. Explain fully all items answered "Yes" in Item 8(b). (If additional space is needed, a full insert page may be used.)

Corporacion de Fomento de la Produccion de Chile is a non-stock corporation, created by special act of the Chilean Legislature. Its operating funds are provided for in the national budget of Chile. The Minister of Economy of Chile is Chairman of the Board of Directors and various other cabinet members serve on the Board.

Please refer to attached:


Law No. 6640 creating Corporacion de Fomento de la Produccion (English translation filed with your office June 17, 1944)

Decree Law 211

Brochure entitled "CORFO Agricultural and Industrial Progress Report"

Article entitled "The Corporacion de Fomento de la Produccion - Chile's Public Development Agency"

10. If the foreign principal is an organization and is not owned or controlled by a foreign government, foreign political party or other foreign principal, state who owns and controls it.

Date of Exhibit A Aug. 2, 1967	Name and Title Angel Meschi, Deputy Director	Signature ANGEL MESCHI 
-----------------------------------	--	--

RECEIVED
DEPARTMENT OF JUSTICE
Form DJ-304
(Rev. 3-30-67)

Budget Bureau No. 43-R435
Approval Expires Oct. 31, 1971

REGISTRATION SECTION

UNITED STATES DEPARTMENT OF JUSTICE
Washington, D.C. 20530

EXHIBIT B

TO REGISTRATION STATEMENT
Under the Foreign Agents Registration Act
of 1938, as amended

INSTRUCTIONS: A registrant must furnish as an Exhibit B copies of each written agreement and the terms and conditions of each oral agreement with his foreign principal, including all modifications of such agreements; or, where no contract exists, a full statement of all the circumstances, by reason of which the registrant is acting as an agent of a foreign principal. This form shall be filed in duplicate for each foreign principal named in the registration statement and must be signed by or on behalf of the registrant.

Name of Registrant	Name of Foreign Principal
CORPORACION DE FOMENTO DE LA PRODUCCION DE CHILE	CORPORACION DE FOMENTO DE LA PRODUCCION DE CHILE, Santiago, Chile

Check Appropriate Boxes:

1. ☐ The agreement between the registrant and the above-named foreign principal is a formal written contract. If this box is checked, attach two copies of the contract to this exhibit.
2. ☐ There is no formal written contract between the registrant and foreign principal. The agreement with the above-named foreign principal has resulted from an exchange of correspondence. If this box is checked, attach two copies of all pertinent correspondence, including a copy of any initial proposal which has been adopted by reference in such correspondence.
- 3v ☒ The agreement or understanding between the registrant and foreign principal is the result of neither a formal written contract nor an exchange of correspondence between the parties. If this box is checked, give a complete description below of the terms and conditions of the oral agreement or understanding, its duration, the fees and the expenses, if any, to be received.

The New York Office is merely a branch of the foreign principal in Santiago, Chile. Its finances are supplied by the principal as needed for the purposes stated in the attached memorandum, and its duration is at the pleasure of said principal.

4. Describe fully the nature and method of performance of the above indicated agreement or understanding.

Please refer to Item 3 above and to attached memorandum

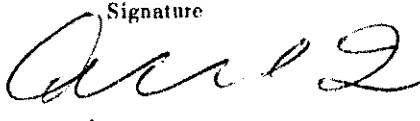
5. Describe fully the activities the registrant engages in or proposes to engage in on behalf of the above foreign principal.

Please refer to attached memorandum

6. Will the activities on behalf of the above foreign principal include political activities as defined in Section 1(o) of the Act?^{1/} Yes ☐ No ☒

If yes, describe all such political activities indicating, among other things, the relations, interests or policies to be influenced together with the means to be employed to achieve this purpose.

- -

Date of Exhibit B	Name and Title	Signature
August 2, 1967	Angel Meschi, Deputy Director	

^{1/} Political activity as defined in Section 1(o) of the Act means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

CORPORACION DE FOMENTO DE LA PRODUCCION

TRIAL BALANCE

AUG 8 9 26 AM 1967

NEW YORK OFFICE AS OF MARCH 31, 1967

REGISTRATION SECTION

ASSETS CASH

	<u>DEBIT</u>	<u>DEBIT BALANCE</u>	<u>CREDIT</u>	<u>CREDIT BALANCE</u>
J.H. Schroder Account #1	\$ 38,691.02	\$	\$	\$
1st National City Bk.-Reg. Acct.	328,249.44			
1st National City Bk.-Time Deposit	10,000.00			
1st National City Bk.-Salary Account	5,000.00			
Irving Trust Co. - Regular Account	174,146.44			
Mfrs. Hanover Trust Co.-Regular Acct.	111,782.58			
Mfrs. Hanover Trust Co.-Special Fish Acct.	1,000.00			
Marine Midland Grace Trust Co.-NY-Reg. Acct.	96,705.76			
Chase Manhattan Bank - Regular Account	225,714.17			
Bank of America, N.Y.-Regular Account	359,759.51			
Bank of San Francisco-Regular Account	11,908.65			
Bankers Trust Co. - Regular Account	69,184.33			
First Chicago Intern'l. Banking Corp.	12,840.82			
The Philadelphia National Bank	77,909.18	1,522,891.90		

NOTES & LOANS RECEIVABLE

Notes Receivable	100,000.00			
Deposit American Air Lines	425.00			
Covensa Acceptance for Collection	1,320,000.00	1,420,425.00		

PENDING ACCOUNTS

Reimbursement Pending BID 123/OC	378,250.75			
Reimbursement Pending IBRD 366 CH	103,719.04			
Reimbursement Pending IBRD 367 CH	59,374.13			
Reimbursement Pending BID 14 SF	364,557.12			
Reimbursement Pending IBRD 431 CH	92,061.58	997,962.62		

ACCOUNTS RECEIVABLE

Suspense Account	166,119.34			
Suspense Account Services	11.47			
Corfo Miscellaneous	398,383.56			
I Municipalidad de Iquique	24,546.23			
Matadero Frigorifico Temuco	143.73			
Boqueron Chanar	135,817.50			
Conservas Zabala	35,104.35			
Pesquera South Pacific S.A.	19,603.57			
Pesquera del Pacifico S.A.	65,241.11			
Soc. Pesquera Guanaye S.A.	12,959.62			
Industria Pesquera Pisagua S.A.	109,908.04			
Pesquera Indo Ltd.	517,299.26			
Soc. Pesquera Punta Negra Ltda.	57,659.40			
Pesquera Tacora Soc. Ltda.	27,610.00			
Empresa Pesquera Chanavaya S.A.	136,687.39			
Industria Pesquera Misle S.A.	69,979.92			
Pesquera Alcatraz	24,491.66			
Pesquera San Pedro	37,804.94			
Advance to Fishing Companies	1,466,912.50			
Corfo BID 86/OC	123,214.37			
/1132 - Depto. de Minería	9,822.86			
/1370 - Regadio Mecanico	46,393.16			
/1394 - Chile Films	2.00			
/1490 - S.E.A.M.	396,842.15			
/1503 - Depto. de Industrias	635.29			
/1512 - Depto. de Agricultura	50,328.04			
/1515 - Iansa	240,350.25			
/1626 - Tarapaca Corfo	45,482.49			
/1628 - Inst. Inv. Geologicas	1,445.81			
/1637 - E.P.T.S.A.	529,008.00			

CORPORACION DE FOMENTO DE LA PRODUCCION

TRIAL BALANCE

NEW YORK OFFICE AS OF MARCH 31, 1967

<u>ASSETS CASH</u>	<u>DEBIT</u>	<u>DEBIT BALANCE</u>	<u>CREDIT</u>	<u>CREDIT BALANCE</u>
/1638 - Esavi	\$ 118,595.30	\$	\$	\$
/1641 - Ministerio OO.PP.	2,670.00			
/1647 A - Entel	30,035.83			
/1649 - Comite de Fondos	11,908.26			
/1655 - Aero Foto	104.99			
/1657 - F.A.S.S.A.	28,620.98			
/1659 - Taltal Plant	26,703.93			
/1664 - Milk and Meat Processing	101.98			
/1667 - Petroquimica	167.47			
/1673 - INACAP	475.37			
/1675 - Preinvestment Studies	9.88			
/1676 - Rural Electric Cooperatives	49.85			
/1691 - Corfo Singer Sewing Mach. Agreement	257,355.60			
/1677 - Private Industrial Development	1,105.87			
/1694 - Cosaf	1,127,804.23			
/1678 - Poultry Industry Development	29,901.60			
/1685 - (Cora)	9.48			
/1693 - Comite Azufie	6,655.10	6,392,083.73		

LIABILITIES

Santiago Contra Account	3,579,824.93	
Manufacturers Hanover Trust Co. -		
Special Fish "Notes" Advance Account	1,466,912.50	5,046,737.43

DEFERRED CHARGES

New York Office Expense Account	40,878.18
---------------------------------	-----------

ACCOUNTS PAYABLE

Suspense Credit Account	3,194,934.10	
Fondos del Cobre	364,297.13	
Ferias y Exposiciones	20,624.02	
Aguas Subterraneas	79,649.28	
Corfo BID /60 SF	142,105.24	
Agents Commission Retained	27,484.26	
Corfo Convertible Dollars 86 OC	92,929.02	
Corfo Convertible Dollars 123 OC	131,803.99	
Corfo BID 123 OC	475,755.41	
/1450 - Pedro Aquirre Cerda	485.00	
/1544 - Marine Insurance	13,641.26	
/1611 - Maestranza Antofagasta	62.64	
/1627 - Depto. de Antofagasta	5,791.49	
/1647 - Entel	1,611.35	
/1641F - Ministerio de OO.PP.	158,454.40	
/1642 - E.C.A.	29,583.00	
/1648 - BID no. 4 Calo	1,741.68	
/1650 - Fire Dept. of Chile	106,788.57	
/1651 - Fishing Boats	14,227.38	
/1652 - Puerto Pesquero de Iquique	88.97	
/1661 - E.M.A.	28,364.95	
/1663 - Livestock	585,561.27	
/1665 - Navigation Aids	2,649.62	
/1689 - Instituto de Recursos Naturales	54,480.87	
/1680 - Codelco Andina	228,936.12	
/1688 - Companies Carboniferas	96,215.94	
/1684 - Instituto Forestal	49,325.17	
/1687 - Spec. Fund for Preinvestment Studies	7,040.00	
/1692 - Corfo Seccion Brenestar	122.79	5,914,754.92

CORPORACION DE FOMENTO DE LA PRODUCCION

TRIAL BALANCE

NEW YORK OFFICE AS OF MARCH 31, 1967

<u>ASSETS CASH</u>	<u>DEBIT</u>	<u>DEBIT BALANCE</u>	<u>CREDIT</u>	<u>CREDIT BALANCE</u>
<u>ENAP ACCOUNTS</u>	\$	\$	\$	\$
Enap Regular	2,297,860.80			
/1653-B	183,787.95			
/1666-E	28,811.54			
Acceptance made on behalf of Enap	87,694.33	2,598,154.62		
<u>ENAP ACCOUNTS</u>				
/1653-E			1,627,330.12	
/1653-B Rotary Fund			116,880.02	
/1674			693,624.46	
Acceptance Payable Enap			87,694.33	2,525,528.93
<u>ENDESA ACCOUNTS</u>				
Prepayment Account	64,566.47			
Prepayment Financed Account				64,566.47
Reimbursement Pending 244 CH IB				42,291.82
Reimbursement Pending 402 CH IB	99,276.61			
Reimbursement Pending /1671 AID Loan	9,352.56			
Reimbursement Pending /1679 AID Loan	371,189.27			
Reimbursement Pending 479 CH	49,594.21			
Suspense Account	653.54			
Project /1553	180,435.46			
" /1553 A	42,596.65			
" /1553 B	63,334.64			
" /1553 C	39,808.11			
" /1553 D	2,897.73			
" /1553 E	712.56			
" /1553 F	5,421.50			
" /1585	171,297.56			
" /1690	3,566.40	1,104,703.27		
" /1681			468,196.81	
" /1682 Carriel Sur			15,022.94	483,219.75
		14,077,099.32		14,077,099.32
<u>ACCEPTANCE MADE ON BEHALF OF</u>				
SEAM /1490		3,167.50		
<u>ACCEPTANCE PAYABLE</u>				
SEAM /1490				3,167.50
<u>PAYMENTS FINANCED BY SUPPLIERS</u>		16,222,579.97		
<u>NOTES ISSUED</u>				
Iansa /1515			34,375.86	
Cital /1567			278,986.31	
Esavi /1638			60,357.89	
AMP /1644			10,393,168.45	
Entel /1647			604,104.13	
Comite de Fondos /1649			77,218.29	
Fire Dept. of Chile /1650			106,215.82	
Taital Plant /1659			20,334.96	
Fishing Boat Equipment /1662			1,581,245.98	
ENDESA /1681			1,000,000.00	
ENAP			295,722.28	
Fishing Companies			1,770,850.00	16,222,579.97
		16,225,747.47		16,225,747.47

CORPORACION DE FOMENTO DE LA PRODUCCION

TRIAL BALANCE

NEW YORK OFFICE AS OF MARCH 31, 1967

<u>ASSETS CASH</u>	<u>DEBIT</u>	<u>DEBIT BALANCE</u>	<u>CREDIT</u>	<u>CREDIT BALANCE</u>
<u>CONTINGENT LIABILITIES</u>				
Under Cr. Iss. & Div.	\$42,836,753.12	\$		\$
Fomento			8,924,506.50	
Esavi			204,258.93	
Endesa			3,711,816.14	
Tarapaca			13,373.46	
Enap			29,361,893.07	
Chase Manhattan Bank			49,979.14	
Manufacturers Hanover Trust Co.			360,793.33	
Swiss Bank Corp.			210,132.55	
		<u>\$42,836,753.12</u>		<u>\$42,836,753.12</u>

AUG 8 9 26 AM 1967
This memorandum describes generally Corporacion de Fomento de la Produccion (mentioned hereinafter as FOMENTO) and more particularly the functions of its New York Office located at 80 Pine Street, New York, N.Y.

REGISTRATION SECTION

FOMENTO is an instrumentality of the Chilean Government having been formed by Act of the Chilean Legislature in 1939. That law created two organizations; one dealing with the reconstruction of the zone devastated by the severe earthquake of 1938 and known as Corporacion de Reconstruccion y Auxilio, and the other, the Corporacion de Fomento de la Produccion.

FOMENTO's purpose, as its name indicates, is for the stimulation and development of production in Chile. Broadly speaking, its functions might be likened to those of various instrumentalities and boards of the Government of the United States; i.e., National Research Planning Board, the Reconstruction Finance Corporation, Tennessee Valley Authority, and Federal Housing Administration.

The New York Office of FOMENTO was opened in December, 1940 at 120 Broadway. From January 1947 to June 1960 it was located at 37 Wall Street, its present address being 80 Pine Street, New York City. Its functions include the following:

- a) The placing and confirming of orders with manufacturers and suppliers in the United States for the acquisition of machinery, equipment and other products for specific development projects in Chile;
- b) Application for and procurement of all necessary priorities and export licenses;
- c) Supervision of shipments;
- d) Payments for purchases and the ultimate financing thereof with the Export-Import Bank of Washington, the International Bank for Reconstruction and Development, and various American suppliers;

- e) The servicing of installment notes as mentioned in the foregoing paragraph (d);
- f) The technical and engineering study of all projects coming within the purpose and overall program of FOMENTO for the industrial development of Chile;
- g) The arranging of missions of American experts to go to Chile for study and advice regarding the development of new industries;
- h) The arranging of scholarships and periodic allowance payments to those Chileans studying in the United States.

September, 1963

RECEIVED
DEPARTMENT OF JUSTICE

AUG 7 9 26 AM 1967

THE CORPORACION DE FOMENTO DE LA PRODUCCION

CHILE'S PUBLIC DEVELOPMENT AGENCY

REGISTRATION SECTION

On the eve of World War II a law was passed creating the "Corporación de Fomento de la Producción" (CORFO), along with another "corporación" to promote reconstruction of a country devastated by the terrible earthquake of 1939. This national disaster, in which 30,000 people perished and the provinces of Concepción and Nuble were almost entirely ravaged, undoubtedly accelerated the installation in Chile of an agency for economic development; also, it seems likely that the action was facilitated by the accession of a Popular Front government espousing the idea, at that time considered leftist, of Government intervention in economic matters.

These two factors alone are not enough to explain the birth of CORFO, however. Its origin and justification stemmed from a collective realization of the need to transform the country economically. This necessity appeared in full force after the crash of 1929. Up to that point the structure of the Chilean economy, despite its latent dangers, had not prevented a certain equilibrium, even a certain progress. A developing country oriented towards foreign markets, Chile lived by exporting nitrated and to a smaller extent copper, plus some agricultural and livestock products.

With prosperity reigning in the world, Chile's products sold well, and very large foreign investments made possible important works of infrastructure. Since the population was not growing too fast, the overall picture was satisfactory enough. Although the standard of living was not as high as those of the highly industrialized nations, it was one of the highest in South America. The fact that the entire economy was based on the extraction and export of minerals subject to the vicissitudes of foreign trade had not yet produced intolerable drawbacks.

The depression struck Chile very hard; according to the League of Nations, Chile was one of the hardest hit nations in the world. Its exports dropped one half in volume and three quarters in value, bringing an 80% decline in the value of imports. It is not an exaggeration to say that the economy practically came to a stop and unemployment was almost total.

The extent of the disaster showed the extreme vulnerability of a system dependent entirely on exports of raw materials subjects to world market fluctuations. This dependence on foreign trade appeared in the occupational classification of the active population, in the share of raw materials in the National Product, and in the very high percentage of budget receipts coming from export taxes. The situation was dangerous

1Adapted from article in Note Mensuelle, Banque Francaise & Italienne pour l'Amerique du Sud, Nov - Dec. 1963, p. 1-36.

and, in the long run, untenable, because the terms of trade were deteriorating, to the detriment of raw material exporters.

True, after the crash the upswing was relatively strong. Nonetheless, the experience had been such that the consensus was that a change towards industrialization and diversification was indispensable. As domestic savings were slight and not attracted to long-term, low-yield investments, it was natural to turn to another form of financing proposed by a left-of-center administration and approved by a predominantly conservative Congress.

1.- AIMS AND ORGANIZATION

The basic law dates from April 18, 1939, and defines the aims of CORFO in these terms: "... To work out a general plan of development, intended on the one hand to raise the standard of living of the population by better utilization of the country's natural resources and reducing production costs, and on the other hand, to improve the foreign payments situation, insuring a proper balance for the development of mining, farming and commercial activities and meeting the needs of the various regions of the country". As early as 1939, therefore, there was the idea of development along a pre-established plan, an idea that was novel at that time, at least in liberal economies. This fact deserves emphasis and reflects credit on the promoters of the institution, who were able to discern the possibilities of programming economic development. Within the very broad terms of its objectives CORFO should:

- 1) Advise the Government in all matters involving public investments and coordination thereof with private investment.
- 2) Define and submit to the Government the priorities to be observed in working out national economic development policy.
- 3) Negotiate foreign credits both for its own investment projects and those of other government agencies, or even those of the private sector when the guarantee of the government is needed.

These provisions show the general outlines of what CORFO's role was to be. That the pattern was vague and very general is not surprising: at the time of its creation, there was virtually no model of the kind in existence. CORFO appears to be a permanent creation, which has taken form gradually in a more or less empirical way.

Attributes.- Broad powers were assigned to CORFO. Thus, it may set up any enterprise it considers important to the country, either directly or through the formation of a private company in which it may or may not hold a majority of stock. It may also share in enterprises already in existence, and extend credits to them or act as guarantor for them, either for internal or external loans.

When CORFO holds stock in a company, it also shares in managing it, either indirectly by a general veto power when it is a minority holder, or directly when its equity is more than 50%. After having set up an enterprise or participated in so doing, CORFO frequently sells its share to the private sector once the company is strong enough to stand on its own feet. As for its loan terms, these vary, and CORFO tries primarily to lend to enterprises that fall within its general objectives and not to compete with the existing financial system.

Generally speaking, CORFO's philosophy has been to avoid competing with existing activities, private or public. It has been content to act as counselor, coordinator and lender, when this suffices. But when an obvious need has arisen in a vital domain, CORFO has filled that need by the means at its disposal. This is notably the case for the steel industry, electric power and oil, in which fields CORFO has acted as promoter.

To the role of investor, per se, CORFO has added more 'intellectual' tasks, i.e., all the technological and economic studies that come under its general objective of development.

CORFO is an autonomous public institution, with a posteriori budget control by the Office of the Comptroller General of the Republic. Its administration and management are entrusted to a Board of Directors, of which the Minister of Economy is chairman and on which the executive branch of government, the private sector, and on which public or semipublic agencies are represented (Banco Central, Banco del Estado, National Mining Enterprises /ENAMI/ and Agricultural Trading Enterprise.) In addition to this Board, CORFO has a vice-president, permanent technical committees consisting of members of the Board, a general manager, a planning division, a legal adviser, various departments and an important office in New York. The total is about 500 employees, with 30 in New York. A Paris office was opened in 1963.

The vice-president, named by the President of the Republic, is the chief executive officer. The general manager is appointed by the vice-president and is responsible for the internal administration of CORFO. With the help of the various divisions, he studies projects offered by private parties, as well as CORFO's own projects,

before submitting them to the technical committees and then to the Board. He is really the key link in the operation of the institution; there is considerable continuity in the office, since CORFO has had only five general managers in twenty years.

The general manager delegates part of his responsibility to the various divisions (gerencias): Operations, Finance, Agriculture, Affiliates.

The operations division comprises three specialized departments; industry; power, fuel and mining; construction.

The affiliated enterprises division manages, CORFO's participation in other companies and represents CORFO at their stockholders meetings.

The finance and control division prepares the annual CORFO budget and supervises its fulfillment; serves as liaison with the New York Office, and carries out financial agreements entered into by the institution, at home or abroad.

A subdivision for regional development, under the division of operations, coordinates the regional representatives throughout the country.

New York Office.— Because of the institution's extensive negotiations of foreign credits, whether from governments or international agencies, CORFO since its early days has had an important office in New York.

As representative of the Chilean Treasury, this office negotiates and services long-term foreign credits, as well as loans from suppliers and commercial.

It purchases and ships equipment worth some 20 million dollars annually for its subsidiaries and others. In recent years this office has also attempted to attract more private investment to Chile.

Planning and Economic Research Division.— CORFO undertook early to fill the gaps on basic economic research, and in 1946 published "The National Income", a basic survey that was followed by others, needed to prepare a system of national accounts.

Planning, limited at first to one or more sectors of the economy, was crowned in 1961 by the publication of the "Ten-Year Plan of Economic Development, 1961-1970" of which more will be said below.

Resources.— CORFO's budget for 1963 was E°170,000,000 a good portion of which is earmarked for servicing foreign loans. There are three sources of financing: the national Treasury, foreign loans and its own funds (income and profits from companies it has shares in). Appropriations in the national budget are the major source. Although there is no precise rule, on the average CORFO receives an appropriation amounting to 4 to 5% of the total budget. Further, since 1953, the "Corporacion" has at its disposal, in virtue of the "Copper Law", additional funds earmarked for particular purposes (see section on regional development). The foreign credits obtained by CORFO total almost as much as the budget appropriations. In the main, they are credits from Eximbank, International Bank, Inter-American Bank and certain suppliers.

In addition, some counterpart funds from the sale of U.S. agricultural surpluses by the Chilean Government are traditionally earmarked for CORFO, which has used them, among other things, to modernize the Lota and Schwager coal companies. Finally, the institution has sometimes used short-term credits in foreign currency granted by foreign or domestic private banks.

CORFO's own resources are a very small part of the total. They consist of income from the companies it shares in, sales of stock from its portfolio, or profits from its subsidiaries, although the latter are usually reinvested in the enterprise. In the main, these resources cover the operating costs of CORFO, enabling it to devote the entire budget appropriation and the foreign credits to investment.

DETAILS OF FOREIGN LOANS OBTAINED BY CORFO (1940-1963)

Eximbank

Tire factory	\$ 1,200,000
Steel Mill	58,000,000
Electric Plants	13,000,000
Agricultural Machinery	8,900,000
Cement plants	4,500,000
Transportation	3,500,000
Raw Material (war period)	3,000,000
Iron ore	2,700,000
Road Machinery	1,800,000
Copper wire plant	1,800,000
Rayon industry	1,200,000
Carbide plant	1,200,000
Miscellaneous	4,300,000

104,900,000

International Bank

Electric plants (1948)	\$13,500,000
Agricultural machinery (1948)	2,500,000
Irrigation research (1951)	854,000
Cellulose and newsprint plants (1953)	20,000,000
Electric plants (1956)	15,000,000
Coal mining (1957)	21,800,000
Electric plants (1959)	32,500,000
Roads (1961)	25,000,000
Livestock Development (1963)	24,000,000
	<u>\$155,154,000</u>

European and North American Suppliers

Agricultural machinery,
electric plants, sugar beet plants, etc. \$115,000,000 (approx.)

Inter-American Development Bank (1960-1963)

Loans for small business,
agriculture, fisheries, etc. \$38,000,000

Repayments

Eximbank	\$59,000,000
International Bank	23,000,000
Suppliers	90,000,000 (approx.)
Inter-American Bank	225,000

II.- CORFO'S INVESTMENTS.

By the end of 1960, total investments made by CORFO came to over 1 billion dollars, with an annual average of over 75 million dollars for the 1955/1959 period. Over the same period, CORFO had an estimated share of 40% in public investment, which in turn represented 50% of total Chilean investment. Thus, CORFO's share in the Chilean investment effort would come to 20% of the total. In the same period, the investments made by the institution were distributed as follows:

Oil ¹	29 %
Electricity	27
Metallurgy	8
Sugar industry	7
Agric. machinery	5
Misc. ²	24
	<hr/>
	100 %

1. Total since 1955, year in which ENAP became self-financing.
2. Agriculture in general, secondary irrigation, mining, forestry freezer plants, etc.

These figures give a preliminary idea of the action of the institution in the field of national economic development. It will be seen that the most favored sectors have been oil, electricity and steel, which represent 64% of the total.

A - Achievements in basic sectors.

1.- Electric power

In 1940, total installed power in Chile was 466,500 kw¹, a figure totally inadequate to the needs of the country. Studies begun in 1935 led to a "plan of immediate action" worked out in 1939 by the "power and fuel" department of CORFO. The basic premise was that in view of the geography of Chile, its hydroelectric resources should be the most important factor in electricity production. This idea guided the action of ENDESA (National Electricity Enterprise) which embarked on a national plan by geographical regions, with the entire network interconnected so as to compensate the differences between the rainfall in Northern and Southern Chile; in summer the surpluses go from North to South, and in the winter from South to North.

ENDESA was established in 1944 by CORFO, which holds over 95% of the capital stock and is its chief source of credits both in foreign exchange and Chilean currency.

ENDESA's installed capacity rose from 10,000 kw in 1945 to 530,000 kw (80% Hydro) in 1964. Generating about 2 billion kwh annually, ENDESA now supplies a third of Chile's needs, and output will double in a few years.

The results achieved in this field merit all the more respect in that they are entirely to the work of Chilean engineers and workers, with no outside technical assistance.

1. This production came from private companies, especially the Compañía Chilena de Electricidad, controlled by North American interests, which held the concession in Santiago, Valparaíso and Aconcagua Provinces.

2.-Oil.-

Early in the 20th century, some prospecting was carried on by private firms. Results were indifferent, chiefly because of the lack of technical equipment. From 1917 on the Government showed that it did not intend to leave this national wealth to developers, either Chilean or foreign. At present, the State holds a monopoly on oil prospecting and extraction, through ENAP (National Oil Enterprise.)

In 1943 the Government directed CORFO to survey the oil resources of Chile, resources whose existence had been surmised but which had not been pinpointed. This prospecting effort, for which CORFO resorted to some foreign specialists, was followed by the first drillings in 1945. In December of that year, the Springhill field was discovered at a depth of 2,400 meters in Tierra del Fuego.

In 1946 the law creating a State monopoly of oil prospecting and extraction was promulgated, and in 1950 ENAP was founded, to which CORFO turned over all the assets it had used in its oil prospecting. In addition to this initial contribution, CORFO played a decisive role in financing the new enterprise, at least until 1955, after which ENAP was able to amass sufficient resources to finance itself (in 1959 its receipts were 35 million dollars, as against 18 million dollars in expenditures). However, ENAP still maintains close relations with CORFO, to whom it must report each year.

Crude oil production has gone from 3,800 cu.m. in 1948 to 2,100,000 cu.m. in 1963. These results were achieved without foreign financial aid.

Refining started in 1952 at the Manantiales Gasoline Plant near the oil field of the same name, which contains a large proportion of natural gas, either pure or dissolved in the petroleum. The plant recovers the liquid substances and pumps dry gas back into

the wells, so as to make extraction easier. The production of gasoline, kerosene and gas-oil supplies the Magallanes region.

The most important ENAP refinery is at Concepcion on the Aconcagua River, which handles 80% Chilean and 20% imported crude. Concepcion was inaugurated in 1955 and its capacity was doubled in 1958 to 44,000 barrels a day.

A new 36,000 bbls./day refinery is being built at Concepcion. These two plants will assure domestic supply through 1970 of all Chile's needs of gasoline, kerosene, LPG and fuel oil. Although ENAP uses the help of North American technicians to construct its refineries, these are operated exclusively by Chileans.

3.- Steel

"The history of present-day Chile may be divided into two periods: before Huachipato (the site of the Pacific Steel Company - CAP) and after Huachipato," wrote the authors of "Twenty Years of CORFO Work". Before the plant was put into operation in 1951, iron and steel consumption averaged 441,000 tons per annum, only 17,000 tons being produced in Chile. 1963 production was half a million tons.

Insufficient steel had been a bottleneck in Chile's industrial development, and surveys led to the conclusion that installation of an iron and steel industry in Chile was technologically possible. The next step was the indispensable preliminary studies, entrusted to the New York Office of CORFO, working in conjunction with U.S. engineers.

This preliminary work led to the preparation of a draft project, submitted to Eximbank in 1945, requesting an initial credit of 28 million dollars, for a plant on the Bay of San Vicente, at a place called Huachipato. The site was chosen because of proximity to the city of Concepcion and the port of Talcahuano, in an important industrial region, with fresh water (Bio Bio River), electric power from the Abanico Station, nearby coal mines and the transportation advantages of a coastal location.

In financing the new corporation, called CAP (Compania de Acero del Pacifico) care was taken to keep the majority of the capital, and hence the power of decision, in the hands of the private sector. In point of fact, the initial financing needs came to 80 million dollars, which was evidently beyond Chilean possibilities. Accordingly, foreign credits had to be sought and to obtain them it proved preferable to have the enterprise controlled by private interests. This is why the initial capital was set at only \$15 million the balance of \$65 million, coming from internal or external loans.

Subsequently, the company's capital and borrowed capital increased considerably. On June 30, 1961 the net fixed assets of the company were estimated at \$153.8 million, without changing the essential principle of the preponderance of the private sector. On the contrary, the share of the private sector in the capital stock was increased as the result of agreements entered into by the company and CORFO.

The Huachipato mill, which comprises a blast furnace, a Siemens Martin and a rolling mill, has an annual production of half a million tons of steel ingots (over 90% of Chilean production). The iron ore, limestone, manganese and two-thirds of the coal are supplied locally. For iron and manganese, CAP acquired the Guarello limestone beds, and made an agreement with Bethlehem Steel under which the latter undertakes to provide the iron ore that CAP needs at a price close to cost. Ore from El Algarrobo, the iron mine that CAP owns, is exported (Japan and U.S.) at the rate of about 2 million tons yearly, yielding the company a substantial income.

The importance of the results obtained by CORFO by the establishment of CAP can also be realized if we consider the direct effect on Chile's balance of payments (creation of a new "export" item and replacement of imports by Chilean production). The saving in foreign exchange has been estimated at about 200 million dollars, without taking into account the indirect effects arising out of new activities made possible by the existence of CAP, especially in the Concepcion region. In recent years, profits from the steel mill have averaged about \$5 million. As for future prospects, in view of increasing internal demand, estimated at 9% per annum, and the export possibilities of the Latin American free trade zone, CAP has begun a \$50 million investment program which will raise production to over 600,000 tons of ingots in 1966.

B - Other CORFO Achievements

Although these three sectors have taken up most of CORFO's financing capacity and attention, action in other areas has not been negligible. CORFO has created enterprises in various fields or assisted those already existing, and independently or in collaboration with other agencies, has undertaken formidable research for agricultural and industrial growth.

1.- Mining

The main effort has been aimed at greater processing of exported products, in order to increase their foreign exchange yield. CORFO has also pioneered in geological surveys of natural resources, work now carried out by an affiliate.

Copper: In 1940's a study was made of the possibility of setting up an electrolytic copper refinery to utilize the production of medium and small mines. Hitherto exported as ore, this copper was highly susceptible to the fluctuations of the world market, a situation made all the more disquieting by very low profit margins because of the low yields obtained. This project could not be carried out during the war years, but became the forerunner of the Paipote National Smelter and the recently completed smelter at Las Ventanas, (capacity 22,000 and 25,000 metric tons annually). The electrolytic refinery is now being built adjacent to the Las Ventanas smelter and its initial capacity will be 48,000 metric tons, in 1965.

In addition, CORFO has helped develop zinc, manganese, lead, gold, cobalt, tungsten, molybdenum and antimony.

In the field of mineral fertilizers, CORFO has done important research and promotion, with interesting results, especially with phosphates, lime and nitrates.

CORFO has also developed other minerals such as sulfur; Chile has large reserves, but sales are hampered by high extraction costs.

Coal.- From 1940 to 1950, because of scarcity, CORFO tried to expand production; thereafter, it has been concerned with reducing production costs, and aiding modernization of the two largest firms, Lota and Schwager, which have underwater mines in the gulf of Arauco. This was achieved with a loan from the World Bank, local currency loans from CORFO, technical assistance from France, and the recent merger of the two companies. CORFO has also constructed modern coal handling facilities in the port of San Antonio.

2.-Industry

CORFO's activities have included the following:

Metallurgy - Participation in the establishment of MADECO, a copper wire plant; expansion of MADEMSA, household utensils; early financing of SIAM di TELA, electric motors; ELECTROMAT, electrical accessories and CORPORACION DE RADIO DE CHILE.

Chemical.- In addition to assistance to pharmaceutical laboratories, CORFO has helped establish two sulfuric acid plants. It recently hired foreign consultants to make a feasibility study of a petrochemical industry based on the natural gas from Magallanes.

Textiles.- CORFO has encouraged linen and rayon production.

Food.- Fisheries have received most of CORFO's aid, and have grown rapidly since 1960, showing great possibilities for the future insofar as fresh, frozen and canned fish and shellfood, as well as fishmeal.

Fishery development can improve the Chilean diet and yield substantial revenues from export. CORFO has undertaken the industrialization of fishing sites, credits for boat building and fishing equipment, and direct investment in various enterprises.

Special efforts have been made in Iquique and in the southern provinces. At Iquique, CORFO has just installed an integrated plant which produces canned and frozen tuna and sardines, fishmeal and fish oil. This plant, financed in part by the Inter-American Development Bank, has its own fleet. CORFO plans to sell it to private operators once it is a going concern. CORFO has been influential in attracting private investors from Europe, Africa, the U. S. and Canada for fishmeal development.

5.-Agriculture

CORFO's attention has centered almost entirely on irrigation, farm mechanization, development of forest products industries, and sugar beet growing.

Irrigation: The major portion of this work in Chile is done by the Ministry of Public Works, but CORFO has played an important role by making certain technical surveys and giving credits to private enterprises. Irrigation by sprinkling, introduced into Chile by CORFO, has made it possible to irrigate over 50,000 additional hectares and to improve existing systems over 160,000 hectares: current projects cover even larger areas.

Since 1945, CORFO has been prospecting for underground water, which may offer a solution to the irrigation of desert regions. By the end of 1959, 337 wells had been drilled, permitting irrigation of 13,000 new hectares and great improvement on 18,000 more. The area irrigated by CORFO represents about 10% of the total irrigated area. Studies and loans have been made also for the drainage of marshlands.

Agricultural mechanization: Up to 1955, when exchange controls were lifted, CORFO centralized 90% of tractor imports, obtaining \$60 million in foreign credits and making local currency loans to purchasers. Results have been noteworthy: in 1936 the tractor park consisted of only 1,557 units; between 1940 and 1955 CORFO imported 11,878, in addition to a wide range of other farm equipment.

Within the same general area, CORFO has established an agency known as SEAM (Mechanized Farm Equipment Service) for renting tractors and drivers to farmers. Tractors owned by SEAM numbered 221 at the end of 1959. CORFO has also promoted tractor driver training, providing the army with the equipment needed to train 400 drivers each year; by the end of 1959, 5000 young men had been trained.

CORFO has also been active improving livestock breeds, fruit-growing, fertilizers, forestry, extension of industrial crops (cotton, flax, hemp), colonizing virgin land. Two sectors deserve particular mention: wood and sugar beets.

Development of forest resources: As early as 1943, CORFO economists realized the fundamental importance for Chile of the development of its forest wealth and the pulp and paper industries. With the aid of a North American mission, an inventory of natural forests and plantations was made. The reserves of insignis pine were estimated at 190,000 hectares, sufficient to justify large scale development of the cellulose industry, especially since the species grows exceedingly fast in Chile.

A 1956 study made for CORFO on the prospects for the pulp industry indicated great possibilities: in ten years, investments estimated at \$300 million would yield 700,000 tons of pulp annually for export, representing an annual income of \$100 million in foreign exchange.

A Forestry Institute was established recently, in which CORFO, the Ministry of Agriculture, the United Nations Special Fund, universities and other public or private agencies participate; its aim is to conserve and develop this resource.

In the realm of concrete achievement, CORFO has assisted a private firm engaged in the production of plywood; collaborating with the State Railroads and Swedish manufacturers of railroad equipment, it participated in a factory for producing and chemically treating railroad ties. But the main effort has been in the pulp and newsprint industry. CORFO guaranteed a \$ 20 million International Bank Credit to finance a 70,000 ton pulp mill and a 60,000 newsprint mill, owned by Cia. Manufacturera de Papeles y Cartones. Both plants have exported steadily and their capacity is now being raised with the help of an Inter-American Development Bank loan.

More recently, CORFO guaranteed a Canadian loan to Industrias Forestales for a newsprint mill with a capacity of 60,000 tons annually.

Sugar Beets: In 1942 CORFO began research into the possibility of growing sugar beets.

Several factors account for the special interest taken in this root. First, soil and climatic conditions make sugar cane hard to grow, forcing Chile to import this product. Second, sugar beet enriches the soil and provides good fodder, aiding livestock development and milk production. As a result of these studies, the National Sugar Industry (IANSA) was established and its first mill commenced operations in 1954. This company has three mills, with a total processing capacity of 700,000 tons, yielding 100,000 tons of refined sugar. The beet yield per hectare put Chile in third place among European countries which grow this crop.

In Bio-Bio Province milk production per hectare increased by 1,318 liters on lands growing sugar beets, and an increase of about 33% was observed in numbers of cattle per hectare. In some cases crop rotation made it possible to raise the wheat yields from 12 to 27 quintals per hectare.

In 1963, Chile met 40% of its sugar requirements, with savings of \$17 million annually in foreign exchange.

4.-Commercial Policy: CORFO has tried to avoid encroaching on the private sector. However, it has taken steps to promote exports of wood and wine by setting up special companies for the purpose, and is actively engaged in the fishing industry. Nevertheless, its policy is increasingly oriented towards loans rather than equity participation, and it aims to divest itself of majority ownership as soon as private sources take over.

The institution has also helped the country's cold storage facilities and transportation, particularly the State Railroads and LAN (National Air Line); and the hotel industry, for which CORFO has built some fifteen hotels.

5.-Regional Action: The law creating the "Corporación" provided that within the framework of the general plan of development special attention should be given the needs of various regions, and the institution has offices throughout Chile which work closely with provincial development committees set up in recent years. Under the 1952 "Copper Law" CORFO manages funds from a tax on mining, to finance development in the North (Tarapacá, Antofagasta, Atacama) and O'Higgins Province. CORFO's work in the provinces has related chiefly to improving the electricity distribution network, the highway system and tourist facilities. At Antofagasta a sulfuric acid plant has been set up for treating copper oxide. An olive industry has been established at Arica. Iquique has a fertilizer plant and dozens of fishmeal plants thanks to CORFO help, and several hotels have been built in the north. To develop coastal trade, two ships plying between Tarapaca and Antofagasta were purchased. In O'Higgins, work has been mainly in electrification, irrigation, rural housing and importation of farm equipment.

In 1956, a law for the development of Chiloé and Aisen Provinces was promulgated, its execution being entrusted to CORFO, which set up an office in Chiloé. The principal aim was to install electricity in these two provinces and also to promote marketing of farm and fishery products with the construction of freezer plants.

In Aisen the essential achievements relate to development of the "Cia Minera Tamaya", which operates mines of copper, lead and zinc near the Argentine border, a location that makes it essential to reconsider the problems of access to the seacoast.

III.- CORFO'S ACHIEVEMENT IN PROGRAMMING AND TECHNICAL AID

Programming:

As noted, Law 6640 of 1941, known as the "Organic Law" of CORFO, made the agency's main objective the economic development of the country according to a pre-established plan. Undoubtedly a very advanced idea at that time, this was to give CORFO one of its distinctive traits, that of being as much a planning as a financing agency.

Actually, this objective could not be attained at once, for several reasons, not least of which was the shortage of specialists and of basic statistical data and economic surveys, all essential to an overall plan for investment and production. In addition, there were the difficulties due to the World War, and the fact that at that time there were none of the international development agencies that we know today. Thus CORFO, while always keeping in mind the need for a general plan, for a long time had to be content with planning by sectors (see above ENDESA, ENAP, etc.) In view of this, CORFO undertook in 1943 a series of economic surveys, the first dealing with National Income, and made a start on setting up a system of national accounts.

Only after these preliminary steps had made sufficient progress was it possible to go on to the work of general planning, properly so called. The logical sequel was the formation in 1950 of the Department of Planning and Research, today the Planning Division.

The first programming work of a general nature was the 1954 Agriculture and Transport Development Program, drawn up in conformity with recommendations of an IBRD-FAO mission invited to Chile in 1952. This plan was made by the Planning Department, with the collaboration of CORFO's Department of Agriculture and the Ministries of Agriculture and Public Works. By means of better utilization of the natural and financial resources of Chile, it aimed to achieve the following goals:

- 1) Increase and improve the average diet by agricultural and livestock development.
- 2) Decrease imports of foodstuffs by providing substitutes.
- 3) Improve living standards of the farm population by raising productivity.
- 4) Promote demand for manufactured goods by the agricultural sector, in order to stimulate the economy as a whole. The final aim of the program was 40% increase in farm production.

These objectives could not be completely attained within the 8 years initially contemplated, and are now part of the ten-year economic development program adopted by CORFO in January 1961.

This national development plan takes as a starting point certain economic characteristics of Chile. It stresses such things as: the low rate of capital growth; the unfavorable terms of trade resulting from fluctuating mineral exports as opposed to rigid imports; inadequate farm production which has not kept pace with the 2.5% annual population growth; under-utilization of installed industrial capacity, which in some cases runs 30-50%. Under these conditions, the standard of living was very low and rose very slowly, an average of 1% per annum between 1950 and 1960. Possibilities for action were further hampered by the low rate of domestic saving and limitations on long-term foreign credits. Based on these considerations, the work of the economists of the Planning Division assumed the following pattern.

The first step was an analysis of the previous decade, in order to highlight the most important problems and use this experience in finding solutions for the future. Second was to determine what investments were needed during the ensuing decade to obtain a 5.5% annual rate of growth in production of goods and services, a figure regarded as a minimum in view of the population growth. The influence of these investments on the balance of payments was to be taken up in a third series of studies aimed at determining the size of future deficits, and hence the needs for foreign financing. Another question that had to be answered was the compatibility of the investment projects with internal savings capacity and probable foreign aid. Finally, all these factors had to be taken into consideration in projecting a general financing plan and determining the economic policy needed to carry out the entire project. The method employed in solving these problems is of interest not only in and of itself, but also because of the light it sheds on the "constraints" that the planners imposed on themselves.

The initial hypothesis was an annual growth rate of 5.5% which is equivalent to a cumulative growth of 71% in ten years. These figures were chosen because they seemed best to meet the need of raising the standard of living of a rapidly increasing population, while conforming to the inherent possibilities of the nation's economy.

Finally, the effort was made to determine what increases were possible or necessary in the major variables of the economy in order to insure the bookkeeping soundness of the entire plan.¹ Thus, it was assumed that private consumption would rise at the rate of 4.5% per annum, (or 2% per capita), while public consumption would grow at the same rate as the population (2.5%), i.e., would remain stable on a per capita basis. The rate of increase of private savings is found by subtraction, and equal 1% per annum.

Exports were projected on the basis of estimated of international markets, and in particular raw materials markets. Public and private investments were forecast by sectors (agriculture, mines, industry and building); investments in transportation and power were estimated as functions of the programs of the other sectors. The gross total investment contemplated for the period comes to 9.5 billion 1960 escudos.

¹The formula used was: $Y = C + I + X + M$, where Y is the Gross Product, C Consumption, I Investment, X Exports and M Imports.

GENERAL OBJECTIVES OF PLAN - 1960 PRICES - (x)

	1961	5th Year	10th Year	Cumulative rate of annual growth (1)	Total growth (2)	Cumulative rate of annual growth (3)	Total growth (4)
Population (in thousands)	7,856	8,668	9,802	2.5%	10.3%	2.5%	24.8%
Gross domestic investment							
in fixed capital (M E°)	627	901	1,350	9.5%	43.7%	8.9%	115.3%
Exports (Millions E°)	595	819	1,053	8.3%	37.6%	6.5%	77.0%
Production of goods and services							
(Millions E°)	5,044	6,211	8,135	5.3%	23.1%	5.5%	61.3%
Production of goods and services							
per capita (E°)	642	717	830	2.8%	11.7%	2.9%	29.3%
Farm production (Millions E°)	594	692	962	3.9%	16.5%	5.5%	62.0%
Mining production (Millions E°)	249	342	421	8.2%	37.3%	6.0%	69.1%
Industrial production (Millions E°)	1,340	1,724	2,361	6.5%	28.7%	6.5%	76.2%
Housing available (thous.) (a)	1,165	1,326	1,584	3.3%	13.8%	3.5%	36.0%
Electricity (installed power, M kw)	1,304	1,777	2,569	8.1%	36.3%	7.9%	97.0%
Paved roads (kilometers)	2,800	3,800	5,500	-	35.7%	-	96.4%
Railroads (% increase freight capacity)	-	-	-	-	20.0%	-	40.0%
Private consumption of goods and services (Millions E°)	3,928	4,691	5,857	4.5%	19.4%	4.5%	49.1%
Private consumption per capita (escudos)	500	541	598	2.0%	8.2%	2.0%	19.6%

(1) During first five-year period

(2) For the first five-year period

(3) During the decade

(4) For the decade

(a) At the end of each year

(x) US\$1 = L.050 E

DISTRIBUTION BY SECTORS OF FIXED CAPITAL INVESTMENT (a)

Sectors	Investment in (millions of US\$)	Investment in Chilean currency (millions of 1960 E*)b	Total investment	% of total investment
Agriculture	111	822	939	9.9
Mining	364	305	687	7.2
Industry	831	1,150	2,022	21.2
Power and Fuels	411	693	1,125	11.8
Building				
Urbanization and Communications	64	396	463	4.9
Transportation	500	862	1,387	14.5
Miscellaneous	127	362	495	5.2
Total	<u>2,408</u>	<u>7,003</u>	<u>9,531</u>	<u>100.0</u>
Percentage	26.5	73.5	100.0	

(a) The investments needed for reconstruction after the earthquakes of May 1960 were estimated at 400 million escudos. These are included in the totals for agriculture, industry building and transportation.

(b) US\$ 1 = 1.05 escudo

Forecasts show that external aid (capital and credits) to a total amount of 1,035 million dollars will be needed for carrying out this plan. Of this total, only 328 million dollars are net, since amortization over the period will come to 707 million.

The coherence and quality of the planning work carried out by CORFO's economists have been recognized by the two IERD missions that went to Chile in 1961 at the request of the Chilean Government, while at the Punta del Este Conference (Alliance for Progress) Chile appeared as the pioneer in planning in South America.

Technical Aid

In this field CORFO can be said to have both given and received. It has been the recipient in that it has on several occasions called on the services of foreign specialists attached to private companies, foreign governmental agencies, or international agencies; for example, Kellogg Co. for oil, Koppers Co. for steel, Braunschweigische Maschinenanstellung A.G. for sugar beets; important technical aid has also come from the United Nations, and the affiliates such as F.A.O., and C.I.T., as well as the U.S. and European governments.

Conversely, CORFO has given technical assistance in many sectors of the Chilean economy, and taken an active part in training Chilean technicians needed for economic development. For example with the help of the United States government (Point IV), CORFO set up a technical Cooperation Service to aid small and medium-sized firms to rationalize management and improve productivity.

The number and diversity of the tasks undertaken by CORFO makes it hard to draw up a balance of the results, especially in view of the double nature of its action -- promotion and execution of investments, but also research and surveys. These two aspects of the institution's work are closely connected, but obviously cannot be measured in the same way.

As for the first point, CORFO conducted 20% of total national investment for the period 1940-1960. This large-scale participation in the Chilean economy has produced direct and obvious results. The case of steel to cite only one, is significant; annual production rose from 1,000 tons in 1940 to over 500,000 tons at present. On the same order of magnitude are its contributions to electric power and petroleum.

Over and above these readily observable direct effects, there are others more difficult to assess.

The rapid growth of the Concepcion region after the installation of the CAP mill at Huachipato is such an instance. The replacement of imported merchandise by that produced in Chile is another criterion for evaluating CORFO's work.

Over the five-year period immediately preceding the 1929 crisis, Chilean imports of goods and services averaged 630 million 1956 dollars, or \$154 per capita. Taking into account the rate of population growth, and considering as normal the years 1954-1956, to maintain the same per capita imports would have meant annual imports of about a billion dollars. In point of fact, Chile imported only 430 million dollars of goods and services in 1956, or \$63 per capita. The substitution effect can be set at some \$600 million without taking into account the rise in the standard of living and, hence, in demand over the period. Although this was not due exclusively to the action of CORFO, this institution had a decisive share in it.

From another angle, emphasis should be placed on the research work that the institution has performed, thereby laying the intellectual groundwork for further development, the possibilities of which are stated in the ten-year plan. In addition, there is a new spirit, more dynamic and forward looking, which CORFO has helped to create and maintain, since many of its former officials subsequently assumed important positions in the private and public sectors.

Nevertheless, despite these achievements, a question arises, How is the intensive activity of CORFO to be reconciled with the slow growth of the Chilean economy, as registered in the per capita Gross Domestic Product? Surveys by CORFO and ECLA agree that between 1925-1929 and 1956-1960 the per capita Gross Product grew an average of only 1.3% per annum, "a figure much lower than hoped for", as the authors of the ten-year plan remark.

To remove this contradiction, it seems necessary to go into more detail and, with Anibal Pinto (*"Chile: un caso de desarrollo frustrado."* *op.cit.*), distinguish several periods in the economic development of Chile since the great depression. Significantly, the rate of growth of per capita Gross Product averaged 1.5% per annum over the period 1939-41/1958-60, and 2.8% for the period 1939-1946, roughly corresponding to the war years.

The conclusion that emerges from these figures is that the country first had to make up, at the cost of intense labor, the ground lost in the 1929 crash.

The rapid growth of the Chilean economy during the war years thus corresponded to a phase of "recuperation," to which CORFO made a large contribution. The movement continued until 1953, and then slowed down, at least until the 1960's.

During the entire period beginning with World War II, important qualitative changes took place, expressing a profound alteration in the structure of the economy, in the direction of industrialization and diversification. As compared to the 1930's, industrial production has risen 354% and agricultural production by 84%, while mining production rose by only 9%; the share of the mining sector in the total product was reduced from 12 to 5%.

These facts seem to indicate that there is no real contradiction between the scope of CORFO's actions, on the one hand, and the slow growth of the Chilean economy, on the other. In this connection, it is usually granted that certain structural factors constitute obstacles to faster development. This was particularly the case for agriculture where the low levels of education, productivity and income of the majority of the rural populace have restricted the market for industrial goods.

Nor does it seem valid to accuse CORFO that its method of financing, out of a public budget that usually shows a large deficit, is inflationary and that recourse to private saving might to a large extent take the place of the Government contribution. It still has to be proved that such savings exist; this is by no means evident, although the case of Mexico is interesting in this respect.

The reproach has been made, depending on the political color of its adversaries, that CORFO encroaches too much, or not enough, on the private sector. The fact would seem to be that the position of the institution is to favor private initiative whenever possible, and act itself in defect of such initiative. As for the question of whether or not the institution ought to turn over to the private sector those of its activities that show a profit, there is no reason a priori why only losing enterprises should be retained.

It has likewise been reproached for scattering its activity, a criticism which carried more weight. CORFO is empowered to do almost anything, and in point of fact has dealt with very many sectors of the Chilean economy, from electric power and the iron and steel industry to the hotel

industry and minor irrigation works. Although most of its efforts have been devoted to a few key sectors, there has been a certain scattering of resources. One thing must be said, however, with reference to the war years. The breaking of traditional patterns of trade made it absolutely necessary to look for substitutes in this domain, emergency has often been one of the imperative criteria of choice. Moreover, the institution could only determine the principles of its action gradually and empirically. The fact that it was the pioneer in Latin America in the field of aid to development meant it had to evaluate itself without any basis for comparison.

In conclusion, it would seem that the work of CORFO should be lauded as being a highpoint within the organizational achievements of Chile. Its experience has served as a model for other similar institutions, including the Venezuelan development corporation which several Chilean economists helped to establish.

AUG 7 9 25 AM 1967

Santiago, Chile, April 6, 1960

REGISTRATION SECTION In view of the powers and authorities granted to me by Law Number thirteen thousand three hundred and five, dated the sixth day of April nineteen hundred and thirty nine, I issue the following Decree:

I

Article One.- The "Corporacion de Fomento de la Produccion" (Production Development Corporation) will be managed and administrated by a Board of Directors, composed as follows:

- 1.- The Minister of Economy, who will act as Chairman of the Board, and who will be substituted, in case of absence, by the Executive Vice-President of the Corporation;
- 2.- The Under-Secretary of the Treasury;
- 3.- The Under-Secretary of Industry and Commerce;
- 4.- The Under-Secretary of Transportation;
- 5.- The Under-Secretary of Mines;
- 6.- The Under-Secretary of Public Works;
- 7.- The Under-Secretary of Agriculture;
- 8.- The representatives referred to by Law 8.707;
- 9.- The President of the "Banco Central de Chile" (Central Bank of Chile);
- 10.- The President of the "Banco del Estado de Chile" (State Bank of Chile);
- 11.- The Director of the Budget of the Ministry of Finance;
- 12.- The Economic Director of the Ministry of Foreign Affairs;
- 13.- The Director of Agriculture and Fishing;
- 14.- Executive Vice-President of the "Caja de Credito y Fomento Minero" (Mining Credit and Development Institution);
- 15.- Executive Vice-President of the "Instituto Nacional de Comercio" (National Commercial Institute);
- 16.- One Director representing the "Sociedad Nacional de Agricultura" (National Agricultural Corporation);

17.- One Director representing the "Sociedad Nacional de Minería" (National Mining Corporation);

18.- One Director representing the "Sociedad de Fomento Fabril" (Manufacturing Development Corporation);

19.- One Director representing the "Camara Central de Comercio de Chile" (Chilean Central Chamber of Commerce);

20.- One Director representing the "Consorcio Agrícola del Sur" (Southern Agricultural Syndicate);

21.- One Director representing the "Instituto de Ingenieros de Chile" (Institute of Engineers of Chile);

22.- Five Directors to be elected freely by the President of the Republic; and

23.- Three Directors appointed by the President of the Republic, prior proposal by means of list with three candidates each, one on behalf of the "Sociedad Agrícola del Norte" (Northern Agricultural Corporation), one from the "Confederación Nacional de Cooperativas Lecheras" (National Confederation of Dairy Cooperatives) or from the "Asociaciones Ganaderas" (Live-stock Associations) and the third from the Agricultural Associations that represent the Agriculturists or Farmers that export these products.-

Article Two.- An Executive Committee, composed as hereinafter mentioned, will be in charge of studying and adopting resolutions concerning all matters related with agricultural activities. Such Committee will be formed by:

1.- The Executive Vice-President, who will act as Chairman of the Committee;

2.- Three Directors appointed by the Board from amongst the Directors indicated under numbers Sixteen, Twenty and Twenty Three of the foregoing Article;

3.- Three Members representing the "Sociedad Nacional de Agricultura" (National Agricultural Corporation), the "Sociedad Agrícola del Norte" (Northern Agricultural Corporation) and the "Consorcio Agrícola del Sur" (Southern Agricultural Syndicate), who will be appointed by the Executive Vice-President from lists proposing three candidates each, submitted by the above mentioned enterprises;

4.- The Director of Agriculture and Fishing;

5.- The General Manager and another member of the administrative staff, to be appointed by the Executive Vice-President.

This Executive Committee will act with ample powers and authority and will be in charge of the management of the funds placed at its disposal by the Board of Directors of the Corporation.

The Secretary of the Corporation shall be the responsible Minister of the Executive Committee, under the same conditions as he is the responsible Minister of the Council of the Corporation.

The quorum for meetings of the Executive Committee shall be 5 members, and its decisions shall be adopted by an absolute majority of the members present. In cases of a tie, the Executive Vice President shall cast the deciding vote.

The Executive Committee shall appoint from among its members standing Committees to take cognizance of the various matters concerned with affairs falling within its competence. These Committees shall also take cognizance of and decide any matters that the Executive Committee decides to entrust to them.

Those members of the Executive Committee who are not Counselors of the Development Corporation, excluding officials of the agency, shall have the remuneration established under Article 11 of Law 13,211.

When there is a doubt as to whether a matter should come under the cognizance of the Board of the Corporation or the Executive Committee, the decision shall be made by the Executive Vice President.

Article Three.- The addition of new members to the Board and the Executive committee, to which the two preceding articles refer, may not, in conformity with the provisions of Art. 205 of Law 13,305, entail any increase in the total expenditures contemplated for remunerations in the budget of the Corporation for 1960.

Consequently, any increased expenditure arising for this reason shall be financed out of economies made in the remunerations item of the budget of the Corporation for 1960, by the elimination of positions existing in the personnel list for the year 1959.

Article Four.- The members of the Board of the Corporation and of the Executive Committee shall abstain from discussing or voting on matters in which they are directly involved, or which involve persons with whom they are related by property, blood or marriage in any degree up to the fourth, inclusively.

For the purposes of the preceding paragraph, relations by property shall be understood to be those arising out of the positions of member, stockholder or dependent of an entity or person.

This disqualification shall not apply to discussions and votes involving relations with matters in which one of the agencies represented on the Board of the Corporation or on the Executive Committee has an interest.

Article Five.- The quorum for the meetings of the Council shall be nine members. When the laws or decrees in force require a quorum equal to 2/3 of its members or 2/3 of the Counselors in office, this requirement shall be taken as being met by reducing this quorum to the absolute majority of the members in office.

The decisions of the Council shall be adopted by an absolute majority of the members present, without prejudice to the provisions of Art. 13.

Article Six.- Without prejudice of the powers and authority that it has at present, the Board of Directors of the Corporation will have the following further powers:

a) To serve the State as a technical advisory organism to promote and coordinate the investment of the fiscal funds, orienting them towards the promotion and development of the production and to harmonize the acts of the State with the investments made in the same sense by individuals, trying to give the available funds the most adequate and proper destination.

For such purpose, the long and short term investment programs prepared by the Corporation must be coordinated with the annual national budgets;

b) To express to the Government the order of priority in which the execution of the different projects for the development of national economy must be undertaken, whether such projects are to be executed directly by the State or through any of its several organisms or agencies, and to encourage investment of the same type from individuals.

c) To negotiate foreign loans for the Government or those that may require the State's guaranty or that must be repaid with fiscal funds, at the request of the Government and under the conditions set forth under Article sixty four of Decree having force of Law Number forty seven of the year nineteen hundred and fifty nine.

d) To grant accommodation endorsements in foreign currency, within the limits established by the law and with the previous authorization of the Ministry of Finances. The Corporation may not, in the future, grant accommodation endorsements in domestic legal tender.-

The direct actions undertaken by the Corporation for the performance or execution of the General Plan for Production Development, will be, preferably, those which include the lending of its technical and financial cooperation to private activities.

Article Seven.- The Board of the Corporation may appoint from among its members standing committees to study those projects of which the Board should take cognizance, in order to carry out the purposes of the Corporation.

These Committees shall likewise take cognizance of and decide all such matters as the Council shall decide to delegate to them.

Further, the Board may delegate to the Executive Vice President and, at his request, to other officers of the Institution or to Committees whose members may hold the position of Counselors or officers of the Agency and which the Board shall appoint, the power to take cognizance of and decide designated matters.

The Executive Vice President may delegate part of his powers and grant special powers.

II

Article Eight.- Without prejudice of the powers and authority that he may have at present, the Executive Vice-President of the Corporation will also have the following powers:

a) To create and abolish Managing Offices, Agencies, Assistant Managers Offices, Departments and Divisions; to determine their duties and distribute the personnel thereof, informing the Board of the Executive Committee, as the case may be, of its actions.

b) To propose to the Board, for its approval, the powers and duties that the officers included in the directive plant of the Corporation will have.

Article Nine.- The Vice President may engage personnel freely at any time of the year as the needs of the service require, to be charged to designated items of the budget, provided that one of the following prerequisites is satisfied:

1. That in his judgment there are no employees available in the Establishment to perform the tasks or functions that would be entrusted to the persons engaged, and that the said tasks, functions and duties are of a temporary nature, or
2. That the persons engaged are to render their services, whether temporary or permanent, in mining, commercial, agricultural or industrial activities known as the Corporation's own enterprises.

The total amount of remuneration paid during the year to personnel engaged under No. 1 may not exceed 10% of the item for salaries of the personnel of the establishment included in the budget for the year in question.

The employees and workers engaged by virtue of this authorization shall have the position of private citizens, and shall therefore be governed exclusively by the Labor Code and supplementary legislation. In no case shall the requirements of laws or regulations covering the staff of the Corporation or its employees be applicable to them, unless they are expressly included therein by a law or regulations.

Article Ten.- The Vice President of the Corporation may engage, on a fee basis, persons who, without having the degree of professional men or engineers in conformity with the provisions of Law 12,851, have qualifications, in his judgment, that fit them to carry out designated works or specialized duties that are not of administrative nature.

Article Eleven.- The powers granted in the two preceding articles may not be used to engage personnel occupying positions on the permanent staff of the Corporation, or that have held such positions during the previous six months.

Article Twelve.- In case of absence or impediment that may impair the Vice-President from the exercise of his duties, and provided that such absence or impediment does not exceed eight days, he will be substituted by the Corporation's Legal Counsel, and, in default of the latter, by the officer appointed by the Vice-President himself. If such absence or impediment should last more than eight days but less than one month, he will be substituted by a person of his own election. Should such absence or impediment last more than one month, the President of the Republic will appoint his substitute.

The substitutes for the officers that compose the directive staff of the Corporation will be appointed by the Vice-President.

Article Thirteen.- The salaries of the staff of the Corporation shall be determined by the President of the Republic, at the proposal of the Vice President and with the prior consent of the Board of Directors.

To this end the Vice President shall, prior to November 1 of each year, call a special meeting of the Board, at which he shall submit a Personnel List, with the salaries for each post. The Council may make any changes it sees fit in the List if 2/3 of the Counselors in office so vote.

The proposal submitted by the Vice President shall be understood to have been tacitly approved by the Board if the Board has not had the legal quorum for a meeting after a second call, or the special majority, referred to in the preceding paragraph, necessary to make changes therein.

The Vice President shall submit the List that has been approved by the Board to the President of the Republic before November 15 of the year previous to the year in which it is to begin to apply.

The President of the Republic shall decide as to the List by means of an Executive Decree, which shall be issued before December 15 of the year previous to the year in which it is to begin to apply. If the said Executive Decree has not been issued by the time indicated above, the Corporation may proceed to pay the salaries for the month of January and the following months of the year in which the List is to begin to apply, on the basis of the salaries received in the year immediately preceding.

Article Fourteen.- The Personnel List, approved in the manner indicated in the preceding article, and the enrollment of the staff therein by the Vice President of the Corporation shall be in force from January 1 of the year in question to December 31 of the same year, without prejudice to the provisions of Article 15.

Article Fifteen.- The President of the Republic, at the proposal of the Executive Vice President of the Corporation and with the prior

consent of the Board of Directors may change the List and the salaries of the Personnel in the course of the year.

If the change relates to the List, the Executive Vice President shall reenroll the officers on the List to correspond with the change that has been introduced, in conformity with the Staff Regulations and within a period of 10 days, counting from the date on which the Decree on the matter has gone into effect.

Article Sixteen.- The following standards shall be applied in determining the salaries attached to the various positions on the List:

1. The staff shall be divided into two groups:

- A) Managing, Professional and Technical, and
- B) Administrative and Service.

2. The managing personnel shall consist of the Vice President, the Auditor, the Managers, the Assistant Managers, the Secretary, the Chief Attorney and the Department Heads.

The staff of Professional Men and Engineers shall consist of those officials holding a position on the List the exercise of which calls for the possession of a technical or professional degree. To these ends, it shall be understood that the said qualification, with respect to the positions they hold, is held by officials who are enrolled in the College of the respective profession, or in the College of Engineers referred to in Law 12,851, and by professional men holding a diploma issued by a Government establishment or a Government-recognized establishment, or by a foreign educational institution, except in the case of specialties for the exercise of which being registered in a certain Professional College or in the College of Engineers is required.

The rest of the employees appearing on the List shall make up the Administrative and Service Personnel.

3. The salaries of the Managing, Professional and Engineering personnel shall be determined by the President of the Republic, under the procedure indicated in Article 13. The salaries of the Administrative and Service personnel, set in the manner laid down in Article 13, shall be the same as those for employees of the same nature in the Government Civil Service, in conformity with the classification or grade assigned them in the List.

4. The Managing, Professional and Engineering personnel shall be entitled to receive, in addition to the salary referred to in No. 3 of this article, a special allowance, the amount and form of payment of which shall be fixed every year by the President of the Republic, at the proposal of the Board, with the limitation laid down in Decree Law 68 of 1950.

5. The annual budget of the Corporation shall include the sums needed to pay the allowance referred to in No. 4. The said allowance

shall not constitute a fee, nor shall it count as salary for social security purposes.

6. The budget of the Corporation shall include an item intended to pay traveling and other necessary expenses. The Executive Vice President shall have power to draw freely against this item, with the obligation of rendering a complete accounting.

Article Seventeen.- Apart from the salaries and the allowance referred to in No. 4 of Article 16, the personnel appearing on the List of the Corporation shall not be entitled to any other emolument, with the exception of pay due them for overtime and work on holidays, traveling expenses, family allowance, regional allowance, allowance for changing residence, remuneration derived from the exercise of the functions of members of Boards of Directors, and readjustments provided for by general or special legislation. These readjustments, except for the adjustment of the maximum income fixed by Article 1 of Decree Law 68 of 1960, shall not apply to the Managing, Professional and Engineering Personnel, unless the law expressly includes such personnel.

Without prejudice to the foregoing, the Vice President of the Corporation may make the necessary expenditures to provide lunch to temporary personnel.

Article Eighteen.- Officials of the Corporation who are required to have a professional university diploma to perform the duties of their position shall have the same working day as that laid down for the other personnel.

Article Nineteen.- With the exception of the provisions of Article 9, the personnel of the Corporation shall be governed by the provisions of the present Decree Law, by Titles XI and XII and Article 213, letter f) of Decree Law 253 of 1953, as amended; by Law 10,689, by Decree Law 68 of 1960; and by Executive Decrees 360 and 859 of the Ministry of Economy, dated March 7, 1945 and September 7, 1955, respectively, as amended.

IV

Article Twenty.- The Corporation shall have power to grant loans in Chilean currency, which shall be understood as having been granted in any foreign currency that the Corporation shall determine, converted at the rate of exchange current on the date on which the contract in question is completed.

Service of the aforesaid loans may be made, at the option of the debtor, in the foreign currency agreed on or in Chilean currency, converted at the rate of exchange current on the date on which such service is made.

The conversions to which this article refers shall be made at the seller's rate of exchange generally applicable to import transactions.

The Corporation may likewise make loans in Chilean currency, which shall be readjustable in amount, for the needs of its various services, in percentages equivalent to the percentage of variation of the Salary and Wage indices, the wholesale price of central white wheat and the price of baled wool.

The amortization and interest services shall be paid increased or decreased, according to a readjustment made in proportion to the changes in the respective index stipulated in the corresponding contract.

The percentage of increase or decrease in each service shall be determined by comparing the average of the respective indices over the 12 months previous to the month of the date of the contract with the average of the said indices over the 12 months previous to the month in which the service in question is made.

The indices referred to and the calculation of the average referred to in this article shall be those determined by the National Statistics and Census Service.

In the event of prepayment of part or all of the obligation with the consent of the creditor, the readjustment on the corresponding amounts shall be made on the basis of the average of the respective indices over the twelve months preceding the month in which the prepayment is made.

For all legal purposes, the corresponding certificate issued by the National Statistics and Census Service shall be considered as part of the executory title, provided that reference is made thereto in the loan contract in the case.

The interest and readjustments arising out of the loans made in conformity with the method indicated in this article shall not be considered as income for the purposes of the Income Tax Law, and shall therefore be exempt from income tax.

The sureties set up to guarantee the loans granted under the provisions of this article shall in every case include the increases made in the loans.

Article Twenty-One.- The President of the Republic may, at the proposal of the Board of the Corporation or of the Executive Committee, as the case may be, and for the purpose of developing the plans and programs aimed at increasing production, order transferred to the ownership of the Corporation, without pecuniary compensation, real estate belonging to the Government or to the entities comprised in Article 202 of Law 13,305. For the purposes of the transfer in question, the provisions of letter a) of Art. 13 of Decree Law 185 of 1953 shall be observed.

Article Twenty-Two.- In prosecuting suits brought by the Development Corporation for the collection of debts guaranteed by mortgages, the procedure to be followed shall be that contemplated in Articles 19

20, 21, 22, 23, 24 and 25 of Law 7,123, whose definitive text was established by Treasury Decree 3,815 of November 18, 1941.

Article Twenty-Three.- From the present time on, the Corporation shall not have power to grant loans for housing purposes. Accordingly, the following are repealed: Article 3 of Law 6640, Articles 41, 42, 43 and 44 of Executive Decree 360 of May 15, 1945, and Article 11 of Law 10,003.

Any balances of the Housing Fund of the Budget of the Corporation that have not been invested at the date of the present Decree Law, as well as any amounts recovered on operations made by the same Fund, shall be transferred to the General Budget of the Corporation. Current debts contracted under the aforesaid Fund shall be served out of resources from the General Budget of the Corporation.

Article Twenty-Four.- The provisions of Title III of Decree Law 47 of 1959 shall apply to the Development Corporation.

Article Twenty-Five.- The provisions of paragraph one of Article 29 of Law 6,640 and Article 33 of Executive Decree 360 published in the Official Gazette of May 15, 1945 are hereby repealed.

Article Twenty-Six.- As of the publication of the present Decree Law, no legal provisions relating to remunerations, fees or allowances that are contrary or different from those contemplated, with reference to the same subjects, in this Decree Law, shall apply to the personnel of the Corporation. Nor shall Art. 31 of Law 12,084 be applicable to the Corporation.

TRANSITIONAL ARTICLES

Article One.- During 1960 the Board of the Corporation shall retain the power of determining the remuneration of the staff as it shall see fit, in conformity with the provisions of Art. 106 of Law 10,343, Art. 69 of Law 11,764 and Art. 16 of Law 12,861, with the limitation contemplated in Decree Law 68 of 1960.

Application of the standards comprised in the present Decree Law to the personnel of the Corporation shall not be taken to mean any decrease in the remuneration granted for 1960 as salaries and fees.

Accordingly, if it should be the case that, when the present personnel is enrolled on the 1961 list, the salary assigned to the post in question is lower than the total remuneration of the official called on to serve in the post, the difference shall be paid to him from a supplementary schedule.

Article Two.- Without derogation of the provisions of Article 23, the Corporation may continue to take part in and to lend its economic and financial support to the termination of the 71 dwellings that it is now erecting for its employees in the Commune of Nunoa, Department and Province of Santiago.

Article Three.- The Executive Vice President of the Corporation may, by a decision showing cause, appoint to positions on the Professional and Engineering List officials now in actual service who hold positions on the said List or on the Professional and Engineering Contract, even when they do not meet the diploma or College membership requirements referred to in Art. 16 of the present Decree Law.

Article Four.- The Government shall transfer to the ownership of the Corporation the "El Paso" Hotel, located in the Department and Commune of Arica. Further, the State Railroads shall transfer to the ownership of the Corporation the land on which the abovementioned Hotel is constructed and the land required for operating it, as in the plan filed under No. 1 before don Demetrio Gutierrez Lopez, Notary in Santiago, on February 3, 1960.

The Corporation and the Enterprise shall enter into a notarial contract of transfer which shall indicate the deeds covering the aforesaid lands, with their respective general boundaries, as well as the particular boundaries of the lands being transferred, conformably to the plan recently drawn up, occupying an area of approximately 33,324 square meters.

This document shall serve as adequate title for entering ownership of the building, in the name of the Corporation, in the Real Estate Register of the Conservator of Real Property of Arica.

The Corporation shall pay the costs of the transfers referred to in the preceding articles, in the form contemplated in Article 9 of Decree Law 370 of 1953 and shall turn over to "Hotelera Nacional S.A." the property acquired under this title.

The exemption contemplated in Article 10 of the recently mentioned body of law shall be applicable to the transfer and turning over of the "El Paso" Hotel and its attached lands.

Let notice be taken hereof, let it be communicated and published.